

New system of foreign currency controls in Ukraine

The National Bank of Ukraine has approved and promulgated all regulations, serving as the basis for a new liberal system of foreign currency controls. The new currency control system will be launched on 7 February 2019, the same day as the Law of Ukraine On Currency and Exchange Transactions becomes applicable. The changes are aimed at deregulation, facilitating cross-border transactions with foreign currency and expanding the list of available foreign currency transactions.

With the new currency control system, the National Bank of Ukraine is making a transition from the system of total currency control over each transaction to a system of foreign currency supervision.

For example, the requirement for registration of cross-border loans granted by non-residents has been canceled. The procedure for registration, amendment and cancellation of registration of cross-border foreign currency loans obtained by residents will be fully automated. Such procedures shall be initiated by an authorized bank by sending a respective electronic document to the National Bank of Ukraine (hereinafter the "NBU"), on the basis of which the NBU will perform the required automated verification.

Moreover, the NBU has lifted the restriction on early repayment of cross-border loans. This will enable businesses to more effectively manage their debt obligations to non-residents.

Other positive changes include the abolition of the obligation to obtain individual foreign exchange licenses. Residents will be able to transfer foreign currency to foreign accounts, invest in securities or real estate abroad, obtain foreign currency loans and carry out a number of other transactions without applying for individual foreign exchange licenses.

Other key amendments include:

- the maximum term established for settlements under export and import contracts has been doubled – up to 365 days (earlier 180 days);
- export and import operations under UAH 150,000 shall no longer be subject to currency control. Instead, the NBU, fiscal authorities and other competent bodies will exercise currency supervision over transactions over UAH 150,000 in order to ensure compliance with the currency legislation requirements;
- legal entities may now freely use accounts abroad (except for transactions for the transfer of funds from Ukraine to such accounts);
- sanctions for failure to meet payment deadlines in the form of suspension of foreign economic activity have been abolished;
- transactions on accounts of non-resident legal entities in Ukrainian banks shall be allowed;
- banks are allowed to sell government securities denominated in foreign currencies to their clients for foreign currency;
- banks may enter into currency swaps with residents and non-residents;
- limit on foreign currency transfers abroad by individuals without opening an account has been increased from UAH 15,000 to UAH 150,000 per year;

- dual control over export operations shall no longer be applied: currency supervision will be exercised only by the bank, having received the information on the respective customs declaration.

The above mentioned changes are aimed at lifting all existing restrictions and enabling the transition to free capital movement, which will be the basis for facilitating business and investment opportunities in Ukraine, stimulating the inflow of foreign capital, and sustainable economic growth. However, it should be noted that banks, even taking into account the NBU's liberal approach, can apply more scrutiny when carrying out checks on their clients and request additional supporting documents provided for by their internal regulations.